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CONVERSION OF CAPITAL CONSTRUCTION AND
TRANSPORT EXPENDITURES INTO 1949 PRICES

Estimates for Capital Construction After 1 January 1949 and Conversion of
Effective Unit Valuations Into 1949 Prices

Decree No 2783 of the Council of Ministers USSR, dated 28 July 1948, on the "Liquidation of State Subsidies and Raising of Wholesale Prices for Products in a Number of Heavy Industry Branches..." contains the following information:

"The system of state subsidies, intended to cover planned deficits in heavy industry, hinders the enforcement of cost accounting in enterprises, weakens the incentive to strive for lower production costs, and contradicts the planned increase in the importance of the ruble in national economy.

"The postwar reorganization of national economy makes it possible and necessary to abolish the system of state subsidies by lowering production costs and by raising wholesale prices for products in certain branches of heavy industry.

"The establishment of new wholesale prices for heavy-industry products also facilitates the conversion to planning and calculation of gross production, labor productivity, and capital construction, in effective wholesale prices instead of the fixed prices of 1926 - 1927 still being used in industry, and the estimated prices of 1936 and 1945 used in construction, which do not correspond to actual production costs and which hinder the establishment of cost accounting in production and construction."

The same decree establishes a new order of computing estimates for capital construction, according to which, beginning 1 January 1949, estimates for capital construction are being computed in effective (at the time of computation) state prices, rates, and norms.

By Decree No 4244 of the Council of Ministers USSR, dated 15 November 1949, conversion of unit valuations to 1949 prices will be effected. Thus, new conditions are established in construction, where the estimated costs of construction work correspond to their actual value.

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The confirmation of factory price lists for industrial products represents the final stage in the conversion of industry to nonsubsidized operation. In construction, the transition to nonsubsidized work is possible only after the confirmation of converted unit valuations, which represent actual catalog factory prices for products of construction organizations.

The temporary order of accounting for completed construction work, established on 1 January 1949 and effective until completion of the conversion of unit valuations into 1949 prices, is based on 1945 unit valuations and does not provide the necessary foundation for introducing cost accounting in construction.

To ensure a speedy and efficient conversion of unit valuations into 1949 prices, the Ministry of Construction of Heavy Industry Enterprises has worked out and published the following calculations and catalogs:

1. Calculations of estimated costs of construction materials, products, semifinished products, and structures, and operating costs of construction machinery and equipment, converted into 1949 prices:

Section I. Construction materials, products, semifinished products, and structures

Section II. Transportation costs

Section III. Operation of construction machinery and equipment

2. Catalog of estimated costs of construction materials, products, semifinished products, and structures, and operating costs of construction machinery and equipment.

3. Collection of unit valuations converted into 1949 prices for general and special construction work:

Part I. General Construction Work

Section I. Earthwork

Section II. Pile foundations

Section III. Stone structures

Section IV. Reinforced concrete and concrete structures

Section V. Wooden structures

Section VI. Metal structures

Section VII. Floors

Section VIII. Roofs

Section IX. Stoves

Section X. Finishing work

Part II. Sanitation Engineering Work

Section XI. Outer network of water pipes and sewage pipes

Section XII. Interior sanitation engineering work

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Part III. Special Construction Work

- Section XIII. Insulation work
- Section XIV. Installation of industrial furnaces
- Section XV. Railroad sidings and intraplant railroads
- Section XVI. Road-building work
- Section XVII. Construction work in railroad transport
- Section XVIII. Special finishing work
- Section XIX. Construction repair work
- Section XX. Public service

4. Catalog of unit valuations for general and special construction work:

- Part I. General construction work
- Part II. Sanitation engineering work
- Part III. Special construction work

All the sections in "Calculations of Estimated Prices, Collections of Unit Valuations, and Catalogs of Estimated Costs and Unit Valuations" contain instructions for the conversion of calculations and unit valuations.

From 28 June to 1 July 1949, the Ministry of Construction of Heavy Industry Enterprises held a conference in Moscow to discuss the conversion of unit valuations into 1949 prices. The conference was attended by workers of the principal construction and planning trusts of the Ministry of Construction of Heavy Industry Enterprises and its main administrations, workers of main administrations and planning organizations of the Ministries of Metallurgical and Chemical Industry, Construction Materials Industry, Heavy Machine Building, Petroleum Industry, Construction of Machine-Building Enterprises, and other ministries and departments.

Overhead Expenses

The maximum norms for overhead expenses in construction, including planned accumulations, have been fixed in percentages of direct expenses computed in 1949 prices as follows:

1. For assembly of steel structures by all ministries and departments, 7.5 percent, including administrative expenses 3 percent; and for assembly of metal-span structures of railroad and highway bridges, 9.5 percent, including administrative expenses 4.5 percent
2. For above-the-limit construction in underground mining work of all ministries, 27 percent, including administrative expenses 10.5 percent; for below-the-limit construction, 19 percent, including administrative expenses 5 percent
3. For preliminary peat-bog work of all ministries and departments, 75 percent of the basic workers' salary, including administrative expenses 25 percent

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4. For procurement and storage expenses of all ministries and departments, 2 percent of the cost of construction and sanitation engineering materials; for free delivery to warehouse, 1.25 percent of the cost of equipment and 0.65 percent of the cost of metal structures.

5. For salaries to managing personnel of construction projects, including technical supervisors:

For projects with an estimated cost of:

500 million rubles or more	0.35 percent
From 200 to 500 million rubles	0.45 "
From 100 to 200 million rubles	0.55 "
From 50 to 100 million rubles	0.65 "
From 10 to 50 million rubles	0.75 "
From 5 to 10 million rubles	0.85 "
Up to 5 million rubles	0.95 "

6. Norms for overhead expenses in construction work in percentages of the estimated cost or direct expenses in 1949 prices, including planned accumulations, are as follows:

<u>Ministries, Other Organizations</u>	<u>Total</u>	<u>Including Administrative Expenses</u>
Ministry of Coal Industry	19.5	6.0
Ministry of Transportation	19.0	6.0
Ministry of Metallurgical Industry	19.0	6.0
Ministry of Electric Power Plants	19.0	6.0
Ministry of Shipbuilding Industry	19.0	6.0
Ministry of the Maritime Fleet	18.8	6.0
Ministry of the River Fleet	18.0	5.5
Ministry of Construction of Heavy Industry		
Enterprises (own construction)	18.5	6.0
Ministry of Construction of Machine-Building		
Enterprises (own construction)	18.5	6.0
Ministry of Petroleum Industry	19.5	6.5
Ministry of Internal Affairs USSR	18.0	6.0
Ministry of Aviation Industry	17.5	5.5
Ministry of Construction Materials Industry USSR	18.5	6.0
Ministry of Heavy Machine Building	17.5	5.5
Ministry of Machine-Tool Building	17.5	5.5
Ministry of Construction- and Road-Machine Building	17.5	5.5
Ministry of Agricultural-Machine Building	17.5	5.5
Ministry of Transport-Machine Building	17.5	5.5
Ministry of Automobile and Tractor Industry	17.5	5.5
Ministry of Chemical Industry	18.0	5.5
Ministry of Armaments	17.5	5.5
Ministry of Machine and Instrument Building	17.5	5.5
Ministry of Armed Forces USSR		
Construction of naval enterprises	18.5	6.0
Construction of general military and other enterprises	18.0	6.0
Capital repairs	19.5	7.0
Ministry of Light Industry USSR	17.5	5.5
Ministry of Food Industry USSR	17.0	5.5
Ministry of Meat and Dairy Industry USSR	17.0	5.5
Ministry of Fish Industry USSR	18.0	6.0
Ministry of Agricultural Procurement	17.5	5.5
Union-Republics Ministries of Housing and Civilian Construction	17.0	5.5
Ministry of Electrical Industry	17.0	5.5
Ministry of Communications Equipment Industry	17.0	5.5
Ministry of Communications	16.5	5.5

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	<u>Total</u>	<u>Including Administrative Expenses</u>
Ministry of Timber and Paper Industry USSR	16.5	5.5
Ministry of State Security USSR	17.5	5.5
Ministry of Forestry USSR	16.0	5.5
Ministry of State Farms USSR	16.0	5.5
Ministry of Agriculture USSR	16.5	5.5
Ministry of Higher Education USSR	17.0	5.5
Ministry of Health USSR	16.5	5.5
Ministry of Cinematography	16.0	5.5
Goznak (Government Printing Office)	17.0	5.5
Main Administration of Rural and Kolkhoz Construction, Council of Ministers RSFSR	16.5	5.5
Administration for the Reconstruction of Sevastopol', Council of Ministers RSFSR	17.0	5.5
Academy of Sciences USSR	18.5	6.5
VTsSPS	17.0	5.5
Administration of Gas Installations, Moscow City Executive Committee	17.0	6.0
Construction Administration for the Hall of Soviets	18.0	6.0
Other ministries and departments of USSR and all other republic and local construction projects	16.0	5.0

NOTE: (i) The norms for union republic ministries have been established for Union construction projects.

- (ii) Norms for overhead, including administrative, expenses do not take into consideration the following additional payments and expenses determined by special decisions of the USSR government: bonus for man, years service; reimbursement of expenses to special mobile formations of the Ministry of transportation in connection with the nonstationary character of their work; compensation for work in distant regions; additional payments in connection with military ranks.

The norms for planned accumulations in percentages of direct expenses, computed in 1949 prices, have been established for construction, mining, and peat-bog work in the amount of 2.7 percent, and for assembly of metal structures and metal bridge spans of railroad and highway bridges, one percent.

In composing construction estimates in regions beyond the Arctic Circle, in Khabarovsk and Primorskiy krais, in Sakhalin and Amur oblasts, and in Yakut ASSR, the norms for overhead expenses are determined by the corresponding ministries and departments, by agreement with the Ministry of Finance USSR.

In their yearly financial plans, ministries and departments are permitted to differentiate between the amounts of overhead expenses for individual construction projects and construction organizations within the norm limits established for each ministry.

All decrees and orders issued by the USSR government regarding the approval of norms for overhead expenses for individual construction projects, branches, and types of work which were passed before 3 July 1949 have been voided.

Conversion of Transport Expenditures

In computing transport expenditures for railroad and river transport, the rate distances between points of shipping and points of destination of the freight must be accepted on the basis of tables showing the shortest rate distances, included in the Price Index for the Computation of Estimates.

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The Ministry of Transportation issued a circular on 4 June 1949, publishing approved increased rates for railroad freight transport and reduced rates for river freight transport during the navigation period, according to the following schedules:

Increased Railroad Freight Rates During Navigation Period

No	Type of Freight	Increase in Rate	Originating Stations	Destinations
1.	Petroleum products, except aviation gasoline and automobile oils, by continuous railroad transport	50%	Station of Odessa RR Center of Odessa RR System	Dnepropetrovsk and Nizhnedneprovsk stations of Stalin RR System; Cherkassy station of South-western RR System
2.	Ferrous metals, except alloy steel and ferroalloys, during entire year, by continuous railroad transport	25%	Stations of Tashkent and Ashkhabad RR systems	Stations of Transcaucasus, Azerbaydzhan, Ordzhonikidze, and North Caucasus RR systems
3.	Ferrous metals, except alloy steel and ferroalloys, by continuous railroad transport (via Zhdanov)	50%	Stations of South Donets RR System	Odessa station of Odessa RR System; Sevastopol' and Kerch' stations of Stalin RR System; Novorossiysk station of North Caucasus RR System; stations of Transcaucasus and Azerbaydzhan RR systems
4.*	Ferrous metals, except alloy steel and ferroalloys	50%	Stations of Stalingrad RR System	All dock railroad stations of Volga and Kama rivers
5.*	Ferrous metals, except rails, by unbroken railroad transport	50%	Stations of Sverdlovsk RR System	Dock railroad stations of Volga River
6.	Coke	50%	Kemerovo Station of Tomsk RR System	Stations of Moscow and Leningrad RR centers; all stations of Latvian, Leningrad, Lithuanian, October and Estonian RR systems
7.	Automobile tires, during navigation period, by continuous railroad transport	50%	Yaroslavl' station of Yaroslavl' RR System	Stations of Moscow and Leningrad RR centers; dock stations of Volga and Kama rivers
8.	Crude Tuymazy petroleum destined for Lyubertsy via Yaroslavl'	New rate, 18.90 rubles per ton	Uruss station of Kuybyshev RR System	Chasovnya Nizhnyaya station of Kuybyshev RR System
9.	Crude Tuymazy petroleum	New rate, 10.50 rubles per ton	Yaroslavl' station, dock station of Yaroslavl' RR System	Yanichkino station of Moscow-Ryazan' RR System

* Increased navigation rates for ferrous metals do not apply to the transport of pipes, beams, and girders weighing more than one ton or longer than 7 meters each.

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Reduced Freight Rates for River Transport

No	Type of Freight	Point of Shipping or Transfer From Railroad System	Destination	Class of Rate
1.	Coal, in direct continuous rail-water transport	Poyarkovo dock of Amur Ship Line	Blagoveshchensk, Khabarovsk, and Komsomol'sk docks of Amur Ship Line	18
2.	Crude petroleum leaving Urussu by rail	Ul'yanovsk dock	Yaroslavl' dock	32 rubles 90 kopeks per ton
3.	Automobiles, in direct water transport	Moscow	All Kama and Volga docks joining with railroads	12
4.	Fabrics, in direct continu- ous rail-water transport	Kineshma dock	Molotov and Ufa docks	9
5.	Ball bearings, in direct rail-water transport	Moscow	All Volga and Kama docks joining with railroads	20
6.	Metal waste, in direct water transport	Kiev	Dneprodzerzhinsk, Dnepropetrovsk docks, Port imeni Lenin	23
7.	Metal goods, in direct water transport	Kiev	Dneprodzerzhinsk, Dnepropetrovsk docks, Port imeni Lenin	18

It is established that for hauling freight in railroad containers by river transport in direct water and direct rail-water transport, payment for the water hauling is collected according to the rate set up in railroad transport for the shortest distance by railroad between the ports of dispatching and destination, or the transfer port, with a 10-percent reduction, and with the application of fees for loading and unloading the containers commensurate to those in force on railroad transport. The cost of loading and unloading operations in railroad hauling, set at 3 rubles per ton of freight for full-carload shipments and 5 rubles per ton of freight for less-than-carload shipments, is specified for loading and unloading operations for ordinary loadings. The cost of loading and unloading heavy materials and large metal objects, which require the use of special equipment and fittings, must be determined by special calculations.

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